

Message Text

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TO AMEMBASSY MANILA

C O N F I D E N T I A L STATE 170931

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: PHILIPPINE TEXTILE ISSUES

REF: (A) MANILA 9047 (B) MANILA 5721

1. EMBASSY'S MOST RECENT REPORT ON OPERATION OF THE U.S. - PHILIPPINE BILATERAL TEXTILE AGREEMENT DISCUSSES ISSUES RELATING TO CATEGORIES 43/62, 221 AND 224 PT. 3. POSITIONS OF WASHINGTON AGENCIES ON THESE ISSUES ARE SET FORTH BELOW.

2. CATEGORY 43/62 (COTTON KNIT SHIRTS) NON-TRADITIONAL (NT): FOLLOWING EMBASSY'S REPORT (REF B) THAT PHILIPPINES HAD DECIDED TO REINSTATE REQUEST (WITHDRAWN DURING MARCH CONSULTATIONS) FOR INCREASES IN CATEGORY 43/62 NT, WASHINGTON AGENCIES REVIEWED SITUATION FOR THIS CATEGORY AND CONFIRMED ITS SENSITIVITY. WE ARE, NEVERTHELESS, PREPARED GRANT

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PERMISSIOH TO EXCEED CONSULTATION LEVEL BY 300,000 SYE. WE

ARE ALSO WILLING TO MAKE AN ALTERNATIVE PROPOSAL, WHICH WE BELIEVE WOULD HAVE THE PRACTICAL RESULT OF GIVING THE GOP SUBSTANTIALLY GREATER ACCESS IN CATEGORY 43/62 BUT WOULD LEAVE USG WITH OPTICS OF NOT HAVING GRANTED HIGHER LEVELS IN THIS SENSITIVE AREA. USG WILLING FOR CURRENT AGREEMENT YEAR ONLY TO MERGE CATEGORY 42 (OTHER T-SHIRTS) WITH CATEGORY 43/62. ALTHOUGH CATEGORY 42 ALSO FAIRLY SENSITIVE, IT IS BEING SUBSTANTIALLY UNDER-SHIPED. THIS COMBINATION WOULD RESULT IN A COMBINED LEVEL FOR 42/43/62 OF 450,000 DOZEN RPT DOZEN. ACCORDING TO USG STATISTICS ON PRESENT RATE OF IMPORTS, LEVEL OF CATEGORY 42 WOULD END UP ONLY ABOUT 25 PERCENT FILLED, LEAVING BETWEEN 100,000 TO 150,000 ADDITIONAL DOZEN AVAILABLE IN CATEGORY 43/62 NT.

3. CATEGORY 221 (MAN-MADE FIBER SWEATERS) NT: GOP INTEREST IN CATEGORY 221 DURING MANILA NEGOTIATIONS ON BILATERAL AGREEMENT CENTERED ONLY RPT ONLY ON TRADITIONAL PRODUCTS. IN VIEW OF EXTREME SENSITIVITY OF NON-TRADITIONAL 221 PRODUCTS, USG AGREED TO SET UP SEPARATE CATEGORY FOR 221 TRADITIONAL (T) WHICH WOULD PERMIT SHIPMENT AT LEVEL CONSISTENT WITH SENSITIVITY OF TRADITIONAL PRODUCTS, TAKING INTO ACCOUNT THEIR LOWER YARDAGE, WEIGHT AND EMPLOYMENT VALUE. EMBASSY SHOULD BE AWARE USG HAS RECEIVED SEVERE AND UNMITIGATED CRITICISM FROM INDUSTRY FOR BEING TOO LIBERAL TO PHILIPPINES IN THIS HEAVILY IMPACTED AREA. IN EFFORT TO BE HELPFUL TO PHILIPPINES REGARDING CATEGORY 221 NT FOR WHICH INCREASE IN SHIPPING LEVEL WOULD OTHERWISE NOT BE POSSIBLE, USG DURING MARCH BILATERAL CONSULTATIONS MADE PROPOSAL TO INCREASE 221 NT QUOTA DESPITE ITS SENSITIVITY IN EXCHANGE FOR REDUCTION OF 221 T QUOTA. (IN MAKING PROPOSAL USG USED RATIO OF FIVE TRADITIONAL GARMENTS (CHILDREN'S SWEATERS) TO ONE NON-TRADITIONAL GARMENT (ADULT'S) BUT STRESSED TO PHILIPPINE DELEGATION THAT USG WOULD BE PREPARED CONSIDER OTHER RATIOS MORE FAVORABLE TO PHILIPPINES.) GOP DELEGATION INFORMED USG IT BELIEVED ONLY APPROPRIATE RATIO WOULD BE ONE TO ONE

BUT, FURTHERMORE, THAT GOP COULD NOT CONSIDER REDUCTION IN 221 T. BECAUSE GOP DELEGATION SAID IT WAS UNWILLING TO NEGOTIATE ON THIS, DELEGATIONS NEVER GOT TO POINT OF CONFIDENTIAL

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DISCUSSING APPROPRIATE EXCHANGE FACTOR BETWEEN 221 T AND 221 NT.

4. EMBASSY SHOULD BE AWARE THAT USG HAS REFUSED ALL RPT ALL REQUESTS FOR INCREASES IN CATEGORY 221 OVER PAST YEAR, DESPITE ARGUMENTS FROM SEVERAL COUNTRIES ALONG LINES MADE BY EMBASSY IN CONCLUDING SENTENCE OF PARA 7 REFTEL. WE RECOMMEND THAT EMBASSY ADVISE GOP THAT

USG BELIEVES ITS BILATERAL TEXTILE AGREEMENT WITH THE PHILIPPINES PROVIDES ACCESS TO U.S. MARKET FOR CATEGORY 221 AS WHOLE WHICH IS EQUITABLE WHEN COMPARED WITH THAT PROVIDED OTHER COUNTRIES. HOWEVER, USG WOULD BE PREPARED TO CONSIDER ANY FURTHER PROPOSAL IN RESPECT TO 221 WHICH PHILIPPINES MAY WISH TO MAKE, INCLUDING NEW PROPOSAL TO CONVERT FROM 221 T INTO 221 NT.

5. CATEGORY 224 (BASKET) NT: THIS CATEGORY WAS DISCUSSED DURING MARCH BILATERAL CONSULTATIONS. AS EMBASSY NOTES, USG OFFERED TO INCREASE LEVEL 2.5 MILLION SQUARE YARDS EQUIVALENT, REDUCING LEVEL OF CATEGORY 224 (T) BY SAME AMOUNT. GOP DELEGATION NEITHER ACCEPTED OUR OFFER NOR SOUGHT TO DISCUSS REQUEST FURTHER. REGARDING GAMBIT OF NOW REQUESTING USG "BEST OFFER", WE SUGGEST THAT EMBASSY RESPOND BY INFORMING GOP THAT USG STANDS BY PROPOSAL MADE DURING WASHINGTON CONSULTATIONS BUT IS WILLING TO CONSIDER ANY NEW PROPOSAL GOP MAY WISH TO MAKE.

6. EMBASSY SHOULD BE AWARE AND SEEK AS APPROPRIATE TO MAKE GOP AWARE THAT USG HAS TRIED TO BE AS FORTHCOMING AS POSSIBLE IN MEETING GOP REQUESTS ON HIGHLY SENSITIVE CATEGORIES. FYI ONLY: WASHINGTON AGENCIES PERTURBED BY GOP SEEKING TO REOPEN WITH EMBASSY ISSUES BELIEVED TO HAVE BEEN PUT TO REST DURING FACE TO FACE DISCUSSIONS IN WASHINGTON. ASSUME GOP IS AWARE THAT ITS UNWILLINGNESS TO GIVE RECOGNITION FOR NEED FOR GIVE AND TAKE BY BOTH SIDES CREATES SERIOUS PROBLEMS TO U.S. IN OUR ATTEMPT TO BE FORTHCOMING IN RESOLUTION OF BILATERAL TEXTILE PROBLEMS. END FYI. KISSINGER

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